To: All DM's
R.D. Snow
J.L. Mensi

DATE: DECEMBER 27, 1993

TO: E. M. McATEE

FROM: R. F. KANE

SUBJECT: BOSTON REGION STATUS REPORT -- DECEMBER, 1993

I. NEW MERCHANDISING CONTRACTS

- *SUPERMARKET CHAINS*

  ~ This segment is in a "holding pattern" regarding RJR and competitive contract decisions.

  ~ A combination of RJR payment reductions/cost sharing requirements, coupled with P.M.'s demands (advertising, position, share of space and refusal to cost share), is creating a deadlock in key supermarkets.

  ~ The consensus of chain decision makers is that P.M. is in-flexible and demanding but that their SOM/monies make P.M. programs difficult not to consider.

  ~ Unless some component of our requirements or P.M.'s demands change, this deadlock will continue into 1st Qtr 1994; i.e.:
    > P.M. agrees to cost-share
    > P.M. agrees to place free standing POS vs 50% of canopy
    > RJR waivers cost-share in lieu of trade-off of equal value

- *C-STORE CHAINS*

  ~ This segment, where coexistence is more prevalent and RJR/P.M. requirements are more easily met, has exhibited less resistance than supermarkets, as a whole.

  ~ To date, the Region has signed revised contracts with the following:

    > Richdale Dairy (51 stores)
    > Mutual Oil (27 stores)
    > Puffin Stop (22 stores)

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Source: https://www.industrydocuments.ucsf.edu/docs/lkmn0000

- *INDEPENDENTS*

  ~ Approximately 35%-45% of the Region's accounts have signed the revised RJR contracts.

  ~ At this time, the Region does not project either gaining or losing ground in the independent area.

  ~ One area; i.e., cigarette outlets, is creating some obstacles (in NH border area) in that our maximum payment of $325.00 is less than B&W, ATC or Lorillard in the highest volume accounts.

II. SAVINGS/PL BRAND ACTIVITIES

- MONARCH MENTHOL BOX

  ~ Brand has been presented to all major non-chain/military direct accounts with no refusals reported to date.

  ~ Brand acceptance/take away at retail not determined at this time.

III. DISTRIBUTION OF SELECT BRAND STYLES

- Region continues to make inroads on achieving objective of 5% or less OOS rate:

K/A

Avg. Dist. %	Avg. Entry %	% OOS
91.05	80.27	11.9

- Region has prebooked 446 cases of Select through 12/17/93

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- Region Action Plan to address Select objective incorporates the following:
  - ~ Rapid coverage (primary emphasis chains)
  - ~ Local Performance Awards (tied to Select objectives)
  - ~ Leveraging 25¢ allowances with wholesale/retail
  - ~ Tagging all styles on package/carton merchandisers

IV. DIRECT ACCOUNT PROGRAMS

- Fifty-five (95%) of the 58 Region direct accounts (excluding military) have been presented the revised program.
  - ~ Reaction to date has been that a reduction was expected and, in general, understood.
  - ~ A small percentage of accounts have expressed concern that the reduction from $6 to $2 (-67%) was higher than anticipated.

V. COMPETITIVE ACTIVITIES

- Philip Morris has initiated a one-time offer on Basic by prebooking a 200 carton display and buying brand down to parity, or slightly below lowest priced competitor in store.
- Competitive discounting at retail on Savings Brands appears to have stabilized at the $.20/2.00 rates with some exceptions.
- ATC reps will place special emphasis at retail with the Summit brand in December (reported by So. Boston Division).

VI. PERSONNEL ISSUES

- Twenty-nine (31%) of 94 P/T employees will be severed by year-end.
  - ~ A combination of the headcount reduction and reduction in hours worked by remaining employees will result in a budget reduction of approximately 60%.

RFK/nsk

cc: DM's
CAM's

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